

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)	
)	
Local Exchange Carriers' Rates,)	
Terms and Conditions for Expanded)	CC Docket No. 93-162
Interconnection for Special Access)	
)	
U S WEST Communications, Inc.)	Transmittal Nos. 331,
Revisions to Tariff F.C.C. No. 1)	338, 362, 368, and 383

REQUEST FOR ACCEPTANCE OF LATE-FILED REBUTTAL

U S WEST Communications, Inc. ("U S WEST"), through counsel and pursuant to Section 1.41 of the Federal Communications Commission's ("Commission") Rules,¹ hereby requests that the Commission accept its appended one-day-late-filed Rebuttal to the Comments and Oppositions to its Direct Case.

In support of its Request, U S WEST states the following facts. Pursuant to the July 23, 1993 Designation Order² and August 5, 1993 Order³ of the Common Carrier Bureau ("Bureau"), U S WEST filed its Direct Case in the above-captioned proceeding on August 20, 1993. Several parties filed Comments and Oppositions challenging U S WEST's Direct Case on September 20, 1993. Pursuant to the Bureau's August 5, 1993, Order, U S WEST's

¹47 C.F.R. § 1.41.

²See In the Matter of Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection for Special Access, CC Docket No. 93-162, Order Designating Issues for Investigation, DA 93-951, rel. July 23, 1993, at ¶ 81 ("Designation Order").

³See In the Matter of Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection for Special Access, CC Docket No. 93-162, Order, DA 93-876, rel. Aug. 5, 1993, at ¶ 3 ("Order").

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Rebuttal to the Comments and Oppositions was due to be filed on September 30, 1993.⁴ In the process of completing its Rebuttal on September 30, U S WEST encountered some unanticipated, last-minute technical problems which prevented the completion and printing of the document.⁵

U S WEST believes its Rebuttal is necessary for the record in this proceeding to be complete. As this filing is the last in the current pleading cycle, no party will be prejudiced by the acceptance of this one-day-late-filed Rebuttal.

Accordingly, U S WEST requests that the Commission grant its Request and accept its late-filed Rebuttal. U S WEST regrets any inconvenience its late-filed Rebuttal may have caused the Commission and parties to this proceeding.

Respectfully submitted,

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October 1, 1993

⁴See id.

⁵Specifically, the word processing system, at the last minute, obliterated numerous changes to the document.

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U S WEST COMMUNICATIONS, INC., REBUTTAL

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September 30, 1993

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U S WEST COMMUNICATIONS, INC., REBUTTAL

I. INTRODUCTION AND SUMMARY

In certain circumstances, those commentators filing oppositions to the local exchange carriers' ("LEC") Expanded Interconnection/Collocation ("EIC") offerings¹ raise legitimate concerns/issues.² In more instances, however, their objections are typical of adversaries, especially those wanting the moon but only willing to pay for moonbeams.

The tariff defenses of the LECs are generally dismissed by opposing commentators as lacking logic and justification. LECs are

¹Comments were filed herein September 20, 1993, by Teleport Denver Limited ("Teleport/Denver"), Teleport Communications Group, Inc. ("TCG"), Sprint Communications Company, L.P. ("Sprint"), MFS Communications Company, Inc. ("MFS"), MCI Telecommunications Corporation ("MCI"), and Association for Local Telecommunications Services ("ALTS").

²It is difficult to understand the operation of each LEC's tariff structure and rate model when both can be defined by the offering LEC. This does not imply, however, that such a situation is unlawful or unwarranted. Rather, despite the difficulty, the Federal Communications Commission ("Commission") was prudent in allowing for such individuation of EIC offerings.

alleged to be acting in bad faith and unreasonably.³ Yet despite all the shrill rhetoric, rarely does an opponent successfully demonstrate the actual error in the logic of the defending LEC.⁴ Even more rarely does an opponent add much to its own statement of position (or preference), despite the mandate of the Bureau that more specifics be provided on both sides of the issue.⁵

³One of the most excoriating filings was that filed by ALTS. To believe ALTS's rhetoric would be to believe that the LECs are basically not fit to live because of their lack of sensitivity to the Competitive Access Provider ("CAP") industry and their alleged contemptuous conduct toward the Commission. For example, ALTS contends that the LECs' tariffs demonstrate an impedance to the development of access competition (at 2), a massive resistance to collocation (at 2) and are "woefully deficient" (at 5). The LECs are claimed to engage in "tirades" (at 5), to want only to advance their own "parochial, anticompetitive interests" (at 6; and compare at 8). They are also alleged to be acting in "blatant disregard" (at 8, 12), and in "contempt" (at 12, compare at 13) of the Commission's and Common Carrier Bureau's ("Bureau") orders. And see note 10 infra.

⁴However, it appears that this name-calling is not a madness devoid of method. Having called the LECs every name in the book, ALTS finally gets down to the real message. The remedy for all this bad acting would be to deprive the LECs of their ability to put their Zone Density Rate Plans in operation. See ALTS at 13. A reasoned review of the LECs' EIC Tariffs would certainly not compel such a result. Thus, a calculated way of securing such relief is to cloak the rhetorical response to such tariffs in high indignation and antitrust language. Much of both abounds.

⁵See In the Matter of Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection for Special Access, CC Docket No. 93-162, DA 93-951, Order Designating Issues for Investigation, rel. July 23, 1993 ("Designation Order" or "Order") (e.g., ¶¶ 50(b), (c), (d); 54(b); 76(b)).

Teleport/Denver chastises U S WEST Communications, Inc. ("U S WEST") for basically repeating the arguments we proffered in our original "Reply to Petitions to Reject, Suspend and/or Investigate," Trans. No. 331, U S WEST Communications, Inc. Revisions to Tariff F.C.C. No. 1, filed Apr. 5, 1993 ("Reply"),
(continued...)

Often the oppositions are simply confusing.⁶ Even more troublesome, however, is the fact that the commenting parties continue to press inconsistent positions. In some circumstances, the commentators want to be treated "specially" because they are "competitors" of the LECs.⁷ In other circumstances, those same commentators want to be treated like other LEC customers.⁸

But none of this should be particularly surprising. The commentators are correct that the LEC tariff filings being reviewed

⁵(...continued)
describing and justifying our Transmittal No. 331, filed Feb. 16, 1993 ("EIC Tariff" or "U S WEST EIC Tariff"). See Teleport/Denver at 1. While in certain circumstances this is correct, that does not make it wrong. Sometimes, there was not much more to say than was said originally. Sometimes, it appeared that the Bureau was not really acutely aware of what we had said previously. But in many other circumstances, U S WEST added support for the logic of the arguments already proffered. In many instances, this is more than was done by the opponents of our EIC Tariff.

⁶One of the more striking examples of a pleading in search of a logical structure is that filed by Teleport/Denver. Most of the pleading is confusing just in its syntax; parts of it are duplicative in the "points" made (when you can find them); and it addresses matters not raised by the Bureau in its Designation Order. See Teleport/Denver at 19-20 and discussion below at 27-28. One thing is certain: Teleport/Denver does not like U S WEST's EIC Tariff. Beyond that, a reader will have to make his/her own determination as to its purpose.

⁷Compare TCG at 26-27; (claiming that liability provisions applicable to CAPs should be different from all other customers because CAPs are not just like all other customers, but are competitors -- a position that the Commission implicitly, if not explicitly, rejected in its approach to EIC itself).

⁸See ALTS at 20 (arguing that the overheads associated with EIC (basically a wholesale real estate offering mandated by the Commission) should be the same as those affecting competitive retail DS1 and DS3 offerings (competitive, voluntarily-offered LEC services provided under Price Cap principles)); Sprint at 3 (LECs' cost of service for EIC should be developed the same as for other LEC services).

in this proceeding are not related to offerings of their own devise.⁹ Rather, those tariffs were filed in relation to a Commission-mandated offering that, in almost all its specifics, is rendered suspect (and lawfully illegitimate) by lack of market definition, constitutional violations, and micromanagement of the LECs' businesses. In such a situation, a LEC's defense of its tariff -- as constructed to meet its business management needs, rather than accommodation of "market" demand -- can hardly be claimed as "defiant" or "contemptuous."¹⁰ What it can be claimed to be is the result of prudent management decision-making about a heretofore unknown offering, with virtually no management-predictive capability about market demand; an offering that has the potential of severe property and real estate damage (despite the existence of a statistically small risk);¹¹ and one that has more than a 50/50 chance of being unconstitutional (a fairly high level of improper regulatory insinuation into the management prerogative).

⁹See ALTS at 3.

¹⁰See ALTS at 3 ("defiant posture"), 5 ("defiant," "defiance"), 7 n.9 ("defiant and intransigent"), 12-13 ("contempt").

¹¹See Teleport/Denver at B-21.

II. COST SUPPORT AND RATE STRUCTURE

A. Cost of Money

1. Rate of Return Versus Cost of Money

MCI also alleges that U S WEST "appears to have represcribed unilaterally its interstate rate of return to 11.5 percent from 11.25 percent."¹² MCI is incorrect.

U S WEST does not prescribe its own rates of return, nor did it do so in this case. An "authorized" rate of return is set by a regulatory agency. It is a set return on a utility's rate base investments. The rate is established utilizing several criteria, including the need to attract capital, fairness to investors, and resulting rates for ratepayers. In its ultimate establishment, a rate of return will reflect a company's embedded cost of debt and cost of equity. That rate reflects little, necessarily, about the current cost of debt or equity.¹³

U S WEST, not a regulatory commission, determines the appropriate cost of capital for use in the pricing of our services, as we did with regard to EIC service.¹⁴ The cost of

¹²MCI at 10 (footnote omitted).

¹³Furthermore, for a price cap company, the relation between the rate of return and the company's cost of money is even more tenuous. The Commission's rate of return is used, in the price cap model, not as a firm assessment regarding authorized earnings, but as a trigger that activates sharing/low-end adjustment activities for the LEC in question.

¹⁴U S WEST establishes prices for new products and services using a forward looking cost methodology -- LRIC. U S WEST
(continued...)

money, or the cost of capital, is an opportunity cost wherein investors choose one of several alternative investments, which they feel will maximize their wealth. When investors supply funds to a utility by buying its stocks or bonds, investors are not only postponing their consumption of their money, but they are also exposing their funds to risk. Investors are willing to incur this double penalty only if they are adequately compensated. The compensation these investors require in return for their investment is the price of capital.¹⁵

This cost of capital is reflective of the overall costs of obtaining funds to support our various products and services. The cost of capital is that cost which a company must pay to obtain a scarce resource; in this case, the money needed for capital improvement and expansion.

2. Cost of Debt

MFS argues that "[i]n order to counter the LECs' undeniable incentive to overstate the rates that they apply to competitors for collocation, the Commission should require all LECs to employ

¹⁴(...continued)
believes that it is appropriate to use our best estimate of the future cost of capital in setting rates for new services. Conversely, rates of return are calculated using actual costs and current cost allocations. Requiring a LEC to employ the authorized rate of return in a forward looking cost methodology provides no indication of what the ultimate rate of return will be for any given service. Thus, to compare rates of return to the cost of money used in pricing new services is comparing apples and oranges.

¹⁵See Morin, Roger A., Utilities' Cost of Capital, Public Utilities Reports, Arlington, VA (1984) at 19.

an objective and verifiable cost of debt."¹⁶ MFS urges the Commission to prescribe the use of the prime rate, averaged over the first six months of 1993, as the LECs' cost of debt.¹⁷ Both MFS's unsupported allegation and its suggested remedy should be summarily rejected.

U S WEST denies that we have an incentive to overstate its rates. Further, MFS has made no such demonstration. Nor has it pointed to any Commission rule or regulation that U S WEST violated in establishing our cost of debt, in utilizing it in our cost study, or in establishing our prices for EIC service.

U S WEST's cost of debt is our incremental forward-looking debt costs. It incorporates the projected plus the issuance costs (i.e., the all-in costs) of the 10 and 40-year debentures of U S WEST, Inc. These data are obtained from the Capital Markets Outlook published by the U S WEST, Inc. treasury department and reflect the future debt financing costs, as determined by the current capital market conditions.

The only objective and verifiable cost of debt for any of the LECs is its own incremental cost of debt. In the case of U S WEST, this cost of debt is 8.47% (8.5% rounded) as identified in the U S WEST Direct Case.¹⁸ This cost of debt is fully

¹⁶MFS at 3.

¹⁷See id. at 4.

¹⁸See U S WEST Communications, Inc. Direct Case, ("Direct Case" or "U S WEST Direct Case") CC Docket No. 93-162, Transmittal Nos. 331, 338, 362, 368, and 383, filed Aug. 20, 1993, Appendix C at 2.

documented from the U S WEST Capital Markets Outlook using the 10 and 40-year incremental debt costs.

To establish any other cost of debt would be arbitrary, because the cost established would bear no relation to the true cost of U S WEST incremental debt nor the incremental debt cost of the other LECs. Furthermore, the use of a rate such as the prime rate would also be confiscatory, to the extent that it deprived U S WEST of its actual demonstrated debt cost. This would have the further consequence of establishing a costing/pricing structure for U S WEST's EIC service that was below our actual cost.

The prime rate is that rate offered by banks for loans to its most creditworthy customers. The average prime rate charged by banks for the first six months of 1993 was 6.0%, while the 30-year Treasury Bond ("T-Bond") has been running over 6.5% -- the June 1993 yield was 6.81%. The average yield for the 30-year T-bond for the first six months of 1993 was 6.97%.¹⁹

LECs, including U S WEST, do not borrow from banks, but rather issue commercial paper and long-term debentures when raising debt capital. To substitute a prime rate cost of debt for U S WEST's actual cost of debt, the Commission would have to assume that a LEC, such as U S WEST, can raise debt capital for less than the cost of government-issued securities -- i.e., the

¹⁹Federal Reserve Bulletin, September 1993, Page A25 (Chart 1.33) and Page A26 (Chart 1.35). The yields on the 30-year T-bond for the first six months of 1993 were 7.34%, 7.09%, 6.82%, 6.85%, 6.92%, and 6.81% for January through June 1993, respectively.

30-year T-Bond. Furthermore, to mandate the use of the prime rate, the Commission would have to ignore the fact that the prime rate is in fact lower than the actual costs of incremental-debt capital of U S WEST. U S WEST's incremental cost of debt has been demonstrated to be 8.5%, 250 basis points above that of the prime rate!

Finally, the prime rate is a short-term rate and is not indicative of the longer-term borrowing costs of corporations. Indeed, in comparing the interest rates over the past 16 years -- February 1977 through August 1993 -- the prime rate shows to be highly correlated to shorter-term borrowing costs, such as the 1-year Treasury Bill. Conversely, the analysis shows a lesser correlation to the longer-term interest rates, such as the 30-year T-bond. As stated above, large corporations do not generally borrow from banks, nor do they typically borrow in the short term. Thus, the use of the prime rate as a "surrogate" for the LEC debt cost is unwarranted. Based on the above, MFS's objection and suggested remedy should be rejected.

3. Cost of Equity

MFS goes further, however, to state that "because no LEC has provided evidence of its cost of equity in the record of this proceeding, and because LECs have evinced their ability and incentive to inflate unreasonably the collocation charges to their competitors, the Commission should establish the prescribed

rate of return of 11.25% as the maximum cost of money that LECs may use in their rate computations."²⁰

Again, MFS is incorrect. U S WEST has provided documentation regarding its cost of equity, i.e., 13.4%, as used in the calculation of our incremental cost of capital. The derivation of the 13.4% is explained starting at page 30 of the U S WEST Direct Case, with a more complete description of the methodology supplied in Appendix C to the Direct Case.

The calculation of a firm's cost of equity requires the application of theoretical financial models. Inherent in such applications are the tendencies to use data which underscore the convictions of the person presenting the equity estimate. In order to overcome the intrinsic tendencies toward bias, U S WEST equity analyses are expanded to cover a broad range of inputs and cross-checks to validate the cost of equity capital used in the computation of the incremental cost of capital for cost studies.

First, more than one financial model is utilized in calculating the cost of equity. Both the Discounted Cash Flow ("DCF") and Capital Asset Pricing Model ("CAPM") are used to validate the estimate. Second, both methodologies are applied to three separate groups of companies: the Bell Operating Companies ("BOC"), independent telephone companies, and a group of comparable-risk industrial companies.

The BOCs and the independent telephone company groups are

²⁰MFS at 4.

used to validate the equity estimate against firms in the same industry, i.e., the regulated telecommunications market. The third group, the comparable risk industrials, is used for the comparable earnings test.²¹ The landmark Hope²² and Bluefield²³ decisions lead to the test for comparable earnings, as an appropriate measure to ensure that a regulated firm is granted a fair return.

Finally, cross-checks are performed to ensure that the equity estimate is reasonable. To accomplish this, the equity estimate is first compared to the expected return on the market ("ERM").²⁴ Second, an equity risk premium ("ERP") test is performed, wherein a risk premium is added to the average cost of long-term AA debt as additional proof of the reasonableness of the cost of equity estimation.

All tests undertaken by U S WEST validated a 13.4% cost of equity as reasonable. As a matter of law and policy, MFS' arguments should be rejected.

²¹The set of comparable-risk industrial companies was derived using cash flow analysis applied to the Standard & Poor's ("S&P") Compustat PCPLUS data base of more than 7,000 companies to compile a set of less than 30 companies matching the cash flow variability test.

²²FPC v. Hope Natural Gas Co., 320 U.S. 591 (1944).

²³Bluefield Waterworks & Improvement Co. v. P.S.C., 262 U.S. 679 (1923).

²⁴The ERM is the average of the capitalization weighted "bottoms-up" DCF analysis of the S&P 500 Companies and the CAPM of the S&P 500.

B. Expanded Interconnection Channel Termination ("EICT") Rates

1. Local Loop Replication Costs

ALTS makes the argument that because U S WEST disputed the fact that a "fair" comparison could be made between its DS1 and DS3 services and its EIC costing/pricing that U S WEST apparently believes that prices equivalent to local loop replication on a "grand scale" should occur.²⁵ ALTS claims that, as a result of U S WEST's assumption, U S WEST appears to have structured its EIC rates such that those rates attempt to capture an amount equivalent to what it would cost a collocator to replicate its own central office and local loop.

Where ALTS came up with this notion is unclear. U S WEST certainly never stated that we should be allowed to charge, or are charging, a collocator the equivalent of what would be required to replicate the local loop.²⁶

What U S WEST did state, in response to the Bureau's implication that U S WEST's EIC rates should somehow correlate or simulate its DS1 and DS3 rates,²⁷ is that any analysis of EIC rates charged to a collocator should not be viewed in the micro context of an individual rate element (such as one side of a DS1 or DS3), but should also reflect some of the "value" associated

²⁵See ALTS at 16 n.21.

²⁶Id.

²⁷See U S WEST Direct Case at 43.

with the EIC offering itself: i.e., the savings that a collocater would be making by utilizing EIC over the alternative of providing its own facilities.²⁸

2. Channel Length Inputs

ALTS also suggests that U S WEST's EICT rates are difficult to analyze, because U S WEST does not include typical variables for cable runs.²⁹ U S WEST believes that, in some respects this information was included in our Direct Case, within the context of our discussion of repeaters.³⁰ U S WEST used the following cable lengths in our determination of cost for our EICT: DS1 85 feet for no repeaters, 1310 feet for one repeater and 2642 feet for two repeaters; for DS3, U S WEST used 27 feet for no repeaters, 900 feet for one repeater and 1800 feet for two repeaters.

²⁸As stated in our Direct Case,

CAPs have long argued that their ability to compete with LECs is hampered by the high cost of constructing their own facilities to all of their end users. By ignoring the savings that CAPs will realize from gaining access to LEC channel terminations through collocation arrangements --ignoring the fundamental purpose of collocation -- the . . . analysis seriously understates the benefits of collocation.

Id.

²⁹See ALTS at 32.

³⁰See U S WEST Direct Case at 54-55. In our Direct Case, we described how we developed the model for costing of our EICT. U S WEST provided a chart showing the variations used in the models based on the cable length and the number of repeaters that would be required.

However, because of the relatively insignificant cost of the cable in the entire EICT rate element, it is possible that ALTS is really not so concerned about what cabling length factors went into our rating of the EICT, as much as they are concerned about having to pay averaged, standard rates for EICTs. ALTS seems to only want to pay for the cabling necessary for any individual interconnector.

While this is not a revolutionary idea, it is one that the Commission has already rejected. It should be remembered that U S WEST had originally crafted our EIC Tariff along the lines of an Individual Case Basis ("ICB") structure. Such a structure might well have permitted an individual interconnector to pay only for so much cabling as the interconnector needed. However, that model was rejected. U S WEST was required to standardize our rates for EIC service. Part of any standardized "model" is looking at predictable variances and coming up with an "average." That is precisely what U S WEST did. It can hardly now, having complied with the Commission's Order,³¹ be criticized for not being responsive to each individual interconnector's actual in-place provisioning situation.

³¹See In the Matter of U S WEST Communications, Inc., Revisions to Tariff F.C.C. No. 1, et al. Transmittal No. 331, Order, 8 FCC Rcd. 4589 (1993).

3. U S WEST's Inclusion of Repeaters in Rate Model

Several parties commented on the use of repeaters by U S WEST in its EICT.³² The parties not only questioned the need for the repeaters but also the distance limitations needed for those repeaters. In part, the skepticism expressed was the result of the fact that some former BOCs had agreed to eliminate repeaters from the EICT rate element. This individual BOC action, in the opinions of the commentators, represented evidence that such repeaters were unnecessary and were required only by certain LECs in furtherance of some kind of anticompetitive agenda.³³

U S WEST cannot explain the business management decisions of other companies or the configuration of their networks. Nor should we be held to a standard of replication of that conduct, in those situations where our actions are reasonable at base. And our actions are reasonable.

Appendix A to this rebuttal contains literature provided to U S WEST from our repeater equipment supplier, ADC Telecommunications ("ADC"). As shown in Appendix A, the cross-connect (or jumper) limitations stated by U S WEST in our Direct Case, i.e., 27 feet for a DS3 and 85 feet for a DS1,³⁴ are the ADC

³²See ALTS at 27-28; MCI at ii, 4, 10; MFS at 14-15; Sprint at ii, 3, Appendix A at 14-15; TCG at A-1; and Teleport/Denver at 17.

³³See TCG at A-2 to A-4.

³⁴See U S WEST Direct Case at 54.

recommendations and are the same limitations that U S WEST uses for our own internal networking systems. Beyond these distances, a repeater would be necessary to preserve the integrity of the DSX-1 or DSX-3 templated signal provided by U S WEST. Likewise, the equipment limitations of 450 feet for DS3 and 655 feet for DS1, are also used in our own network to flag the point at which a repeater would be necessary, and also serve to preserve the integrity of the signal.

Based on these documented limitations, it is clear that the use of repeaters is technically necessary. Thus, those commentators arguing to the contrary are incorrect.³⁵ To the extent that the argument is that repeaters are not necessary in every case between the interconnector's space and U S WEST's point of interconnection, that is correct. But that is not the point -- at least in addressing the costing/pricing of the EICT.

As described above, in formulating a standardized rate based on different provisioning assumptions, circumstances involving "no repeaters necessary" are averaged with situations requiring "two repeaters." While it is true that in U S WEST's rate design model, a good number of interconnection-provisioning designs would require the use of one or more repeaters, this is purely a function of where the space for EIC is available in U S WEST's central offices, in combination with the requirements for DS1-

³⁵See TCG at A-2.

and DS3-templated signalling requirements.³⁶ In the absence of any demonstrated history with EIC provisioning, U S WEST's assumptions are not unreasonable or unlawful.

4. Inclusion of DSX in U S WEST's EIC Tariff

Several parties filing Oppositions to U S WEST's Direct Case question the validity of U S WEST's decision to include a DSX for the termination of the EICTs in our EICT rate element. The arguments are generally cumulative: a DSX is not necessary, and the inclusion of the DSX causes consequential problems with the EIC Tariff structure, i.e., it sets up a need for (otherwise) unnecessary repeaters and it affects a collocater's abilities to control channel assignment because it interferes with collocater terminations on the LECs' Main Distribution Frame ("MDF").³⁷

All of these arguments are incorrect. And, despite the rhetoric that shrouds these positions, U S WEST believes that the primary objection to the DSX is that its existence requires an interconnector to have a manned leased physical space, in order

³⁶For example, if an interconnector's leased physical space was a mere ten feet away from the EICT cross-connection point, the following cable lengths would be typical: 12 feet from the bottom of the EICT bay of equipment to the central office cable racks (close to the ceiling of the central office), 10 feet from U S WEST's equipment to the interconnector's leased physical space, at least three feet from the leased physical space boundary to the interconnector's equipment bay location, 12 feet from the cable rack to the bottom of the interconnector's equipment bay or DSX Panel. The total cable length in this simplistic example (which assumes a straight path for the cable rack) is 37 feet.

³⁷See ALTS at 27-28; TCG at 2, A-1 to A-3; and Teleport/Denver at 17-18.

to control channel assignments. In essence, without a DSX, an interconnector would never have to have a person (i.e., a cost) in that space. Thus, whatever arguments can be pressed against the existence of a DSX will be pressed, not necessarily for the purposes alleged, but because if the DSX can be eliminated, the unstated benefit to the interconnectors will be realized.

a. Network/Service Provisioning Need for a DSX

U S WEST has previously justified the need for a DSX.³⁸ The DSX serves as a termination point for U S WEST's EIC service, and is included inside the collocator's leased physical space. This DSX establishes a clear demarcation point for the isolation of trouble and establishes responsibility for repair. While Teleport/Denver believes, apparently, that such clarity is unnecessary,³⁹ U S WEST disagrees.

U S WEST is not interested in "adequate" trouble isolation.⁴⁰ Nor are we interested in having to delve, in depth, and with regard to every trouble report as to what the problem is and who is responsible for the problem -- U S WEST or the interconnector. That is precisely what we would have to do without the in-place DSX. It is not appropriate to require

³⁸See U S WEST Direct Case at 57.

³⁹See Teleport/Denver at 18. There Teleport/Denver argues that without the DSX (and without its concomitant "modern diagnostic procedures"), "adequate isolation of troubled [sic] responsibility for repair between the [LEC's] MDF and the interconnectors' facilities," should be able to occur.

⁴⁰See id.

U S WEST to undertake an investigation with regard to each trouble report to determine who is responsible when that responsibility can be easily determined and assessed if a DSX is included in the EICT.

U S WEST has never allowed direct access to our equipment, including our MDF. We have not volunteered such access in our EIC Tariff filing, and we were not required to provide such access by any Commission order.

Beside the fact that there is no outstanding requirement that we interconnect with EIC interconnectors at our MDF, and that we have no business interest in allowing such interconnection at that point, the termination of DS1 and (more significantly) DS3 EICTs on an MDF would seriously deteriorate the signal, which is guaranteed in U S WEST's tariff, as well as interfere with the trouble sectionalization, isolation and monitoring capabilities of U S WEST. The result would be increased detection and repair intervals, both of which the Commission and U S WEST are trying to reduce. At this time, U S WEST only terminates DS0s at the MDF. Thus, the "termination at the MDF" would require further engineering/design work by U S WEST.

Because the lack of MDF termination cannot be said to do harm to interconnectors,⁴¹ and because the DSX performs a beneficial service in this "network of networks" (i.e., trouble

⁴¹See further discussion below regarding channel assignment capability.

diagnostics and isolation), the Bureau should reject those arguments that MDF termination is "necessary" and the DSX is just an obstructionist unfounded LEC "harm to the network" posturing.

b. Channel Assignment Flexibility

A number of commentators continue to mischaracterize their ability to control channel assignments,⁴² arguing (erroneously) that DSX panels or LEC intransigence regarding MDF interconnection impede such ability. These arguments are all form and no substance. They are simply devoid of any factual basis.

A DSX panel in no way impedes an interconnector's ability to control channel assignments.⁴³ An MDF interconnection might make an interconnector's channel assignment control more to its liking, it is not a requirement for channel assignment control. An interconnector has exactly the same channel control assignment

⁴²See, e.g., ALTS at 35; TCG at A-3 - A-4; Teleport/Denver at 25-26.

⁴³In our Direct Case at 85, U S WEST discussed the fact that -- with minimal expenditure -- an interconnector could "install its own distributing frame on the interconnector's side of the DSX[,]" and by so doing "could have the same flexibility in channel assignments as it could have by meeting U S WEST at U S WEST's MDF." Teleport/Denver took umbrage with the fact that we might suggest an interconnector expenditure was appropriate if it desired increased channel assignment control. See Teleport/Denver at 25-26.

Since the time U S WEST's Direct Case was prepared, we have learned that the terminations at the DSX are not hard-wired, as we had previously thought. They are accomplished via jumper cables. Thus, the need for an interconnector "distribution frame" (referenced above) is not correct. No additional interconnector expenditure is required. See discussion below.